

Testimony of H.R. Lively, President and CEO for the
American Financial Services Association (AFSA)

Before the
House Energy Commerce Representatives and Sub-committee on Commerce, Trade and
Consumer Protection

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Mr. Chairman, my name is Randy Lively and I am the President and CEO of the American Financial Services Association located here in Washington, DC.

AFSA's 300 member companies include consumer and commercial finance companies, "captive" auto finance companies, credit card issuers, mortgage lenders and other financial service firms that lend to consumers and small businesses. This year, AFSA is celebrating its 90th birthday as the nation's premiere consumer and commercial credit association.

I am pleased to testify here today on the importance of the Social Security Number for our member companies in the auto finance, mortgage finance, credit card and personal loan lines of business. While Social Security Numbers are not the sole identifier used by financial services companies, they are critically important to our industry for a couple of reasons. First, they provide a unique means of identity verification. And second, they are an essential component for the credit industry's systems designed to detect and prevent fraud. Let's look at these one at a time.

I. Social Security Numbers – A Unique Means of Identification

The Social Security Number provides a unique identifier that accompanies most consumers from cradle to grave. This number remains a constant in a world where people's names and addresses are constantly changing -- whether from marriage, divorce, addresses, or driver's license re-issuance as consumers move from one state to another.

Financial services companies use Social Security Numbers to help ensure the accurate association of financial accounts, credit reports, public records, medical records and a host of other critical relationships and services to a consumer. A company typically uses the Social Security Number (or subsets of the number) internally to track a customer's relationship with that company across multiple accounts and for other legitimate internal reasons.

For a financial services company, a Social Security Number plays a pivotal role in identity determination. In particular, it allows companies to establish and verify the identity of unique persons with whom the institution, and others, conduct business. With millions of John Smiths in America, the identity determinate of which John Smith with whom a finance company is dealing is made by the single unique identifier common to all Americans, his Social Security number.

Importantly, financial services companies realize that the ability to successfully verify John Smith's Social Security Number is not the same as successfully determining his identity. A company must do this by using a driver's license, passport or another government-issued, identification document containing a picture, signature, expiration date, security features, a physical description, etc.

It's worth noting that Social Security Numbers have not been used solely for identity verification due to the lack of a highly secure Social Security Number card, tamper-proof signature, picture and expiration. The Social Security Number card contains few security features, making it easy to counterfeit thus reducing or eliminating any value in its sole use for identity verification. The Social Security Number is thus only a tool, albeit an invaluable one, in the process of determining the identity of an individual. It is clear, however, that verification is a key tool for achieving positive identity determination.

II. Social Security Numbers – An Essential Component of the Industry's Ability to Detect Fraud

According to the Federal Trade Commission, identity theft robs the nation of more than \$50 billion annually. Consumer losses account for about \$5 billion of the total and business absorbs the remaining \$45 billion.

The availability of the Social Security Number both in the financial services company's database and in public records is essential for law enforcement officials during a criminal investigation. This number is the most reliable method of identification, correlation and association of the perpetrators to their public records, which often provide critical details imperative to solving the crime and locating the suspect(s). The loss of this valuable tool would jeopardize the effective investigation of financial crimes.

What's more, the Social Security Number is critical in verifying a potential employee's background and allows for the ongoing monitoring of employees in high-risk positions. Without the use of a Social Security Number, financial services companies would find it very difficult to adhere to a "know your employee" standard.

To earn and keep the trust of valued customers, AFSA companies take every precaution to protect their customers' Social Security Numbers and other personal financial information. This includes on-going training for employees in the handling of sensitive personal information. It also includes close scrutiny of the practices of third-party vendors who store or dispose of data which may contain personal financial information. The industry has worked hard to put mechanisms in place to ensure security breaches are rare. Just as this is important to law enforcement and legislators, it is also critical to the financial services industry, so we have customers who are safe, content and desirous to do business with our companies.

Conclusion:

AFSA member companies share this committee's goal of wanting to assure American consumers that their personal information, including their Social Security Number, is safely protected. At the same time, we must be mindful that many financial services companies utilize the Social Security Number internally for a variety of legitimate business reasons, which should remain exempt from additional limitations.

As we explore ways to protect consumers' privacy, we should take care to thoroughly evaluate any proposed restrictions on the use, sale and purchase of Social Security numbers to ensure that unintended consequences do not occur.

Obviously, the best way to protect our customers' information is to prevent fraud from occurring in the first instance. Through the kinds of methods I just described – such as employee training of the handling of sensitive information, and close scrutiny of third-party vendors – the industry is committed to doing its part.

Finally, it worth mentioning the role of the customer. Consumers who are proactive and understand the importance of safeguarding their Social Security Number can serve as the first line of defense in preventing fraud.

I appreciate the opportunity to be here today and would be happy to answer any question you may have.